NRO Demat Account: Complete Guide for NRIs

For Non-Resident Indians (NRIs), investing in Indian stocks and securities involves a few additional rules compared with resident investors. One of the key requirements is having the right bank and demat account structure.

An **NRO Demat Account** allows NRIs to hold and manage Indian securities on a **non-repatriation basis**. It can be useful for investing in Indian equities and managing investments or assets that originate from India.

In this complete guide, we explain what an NRO Demat Account is, who can open one, how it works, its benefits, taxation, repatriation rules, required documents, and how it differs from an NRE Demat Account.

What Is an NRO Demat Account?

An **NRO (Non-Resident Ordinary) Demat Account** is a dematerialised securities account that allows an NRI to hold investments in Indian securities on a non-repatriation basis.

The account can be used to hold securities such as:

- Indian listed shares
- Bonds and debentures
- Mutual fund units
- Government securities
- Other permitted securities

The NRO Demat Account is different from an ordinary resident demat account because it is specifically structured for non-residents and is subject to applicable **FEMA, RBI and SEBI regulations**.

RBI rules allow NRIs and OCIs to invest in eligible Indian capital instruments through designated channels, subject to applicable investment limits and conditions.

Who Can Open an NRO Demat Account?

Generally, an NRI or eligible OCI who wants to hold Indian investments on a non-repatriation basis can open an NRO Demat Account with a registered Depository Participant (DP).

An NRI who becomes a non-resident should also review their existing resident banking and demat arrangements and update them according to applicable rules.

The exact account-opening requirements can vary between banks, brokers and Depository Participants.

Why Do NRIs Need an NRO Demat Account?

An NRO Demat Account can be useful when an NRI wants to:

1. Hold existing Indian securities.
2. Invest in Indian securities on a non-repatriation basis.
3. Manage shares inherited or acquired from India.
4. Receive eligible securities through permitted transfers.
5. Sell Indian investments and receive the proceeds in an NRO account, subject to applicable rules and taxes.

6. Manage Indian investment income such as dividends.

The key point is that **NRO investments are generally treated as non-repatriable investments**, subject to specific exceptions and RBI rules.

How Does an NRO Demat Account Work?

The basic structure generally involves three components:

NRO Bank Account → Trading Account → NRO Demat Account

Step 1: NRO Bank Account

The NRO bank account is used for eligible rupee transactions and can be used to fund permitted investments in India.

Step 2: NRI Trading Account

The NRI opens a trading account with a broker that supports NRI investing.

Step 3: NRO Demat Account

The securities purchased through the permitted route are credited to the NRO Demat Account.

When securities are sold, the sale proceeds are credited through the applicable banking/trading arrangement, generally into the linked NRO account after settlement and applicable deductions.

NRO Demat Account: Repatriable vs Non-Repatriable

One of the most important concepts for NRIs is **repatriation**.

Non-Repatriable Investment

Investments made through the NRO route are generally considered non-repatriable.

This means the investment proceeds cannot automatically be transferred outside India without satisfying the applicable FEMA/RBI conditions.

However, RBI permits eligible NRIs and PIOs to remit up to **USD 1 million per financial year (April–March)** from NRO balances and eligible assets, subject to applicable conditions.

Therefore, "non-repatriable" does **not necessarily mean that money can never leave India**. It means repatriation is restricted and subject to prescribed rules, documentation and limits.

NRO Demat Account vs NRE Demat Account

The biggest difference between NRO and NRE Demat Accounts is the treatment of repatriation.

Feature	NRO Demat Account	NRE Demat Account
Purpose	Indian investments on non-repatriation basis	Eligible investments on repatriation basis
Linked bank account	NRO Account	NRE Account
Repatriation	Restricted, subject to applicable rules	Generally permitted for eligible funds/investments
Indian income	Can be credited through permitted routes	Not designed primarily for local Indian income
Suitable for	Indian assets and non-repatriable investments	NRIs investing with repatriation in mind
Tax treatment	Applicable Indian tax rules apply	Applicable Indian tax rules apply

An NRI should choose the account structure based on the source of funds, type of investment and whether repatriation is important.

NRO Demat Account Opening Process

Opening an NRO Demat Account is generally straightforward, although documentation requirements may differ between financial institutions.

Step 1: Choose a Broker or Depository Participant

Select a SEBI-registered intermediary that offers NRI services.

Step 2: Open or Link an NRO Bank Account

An NRO bank account is generally used for the relevant rupee transactions.

Step 3: Complete KYC

The investor may need to provide identity, address, PAN and overseas residency documents.

Step 4: Submit NRI Documentation

Depending on the intermediary, documents may include:

- PAN card
- Passport
- Overseas address proof
- Indian address proof, where applicable
- Visa/residency permit
- Photograph
- NRO bank account details
- FATCA/CRS declarations
- In-person verification or video verification, where applicable
- Power of Attorney documents, if required

Step 5: Open the Trading and Demat Accounts

After verification, the broker/DP activates the required NRI trading and demat facilities.

SEBI's investor guidance confirms that demat accounts can be opened through digital processes where the intermediary supports online account opening, including submission of information and video-based verification.

Can NRIs Buy Indian Stocks Through an NRO Demat Account?

Yes, NRIs can invest in permitted Indian securities subject to the applicable FEMA, RBI, SEBI and tax rules.

For certain portfolio investments, RBI regulations prescribe limits. For example, the individual NRI holding limit can be **5%** of the paid-up equity capital of an Indian company on a fully diluted basis, while the aggregate holding of NRIs/OCIs is generally subject to a **10%** ceiling, which may be increased to 24% where the required corporate approval is obtained.

Investors should also check whether sector-specific restrictions or company-level limits apply before investing.

Can NRIs Buy and Sell Shares Using an NRO Account?

Yes, permitted NRI investments can be bought and sold through the appropriate NRI investment structure.

However, NRIs should not assume that every security or every trading product available to resident investors is automatically available to them.

The investment must comply with the applicable NRI investment regulations, broker requirements and FEMA restrictions.

For example, RBI guidance states that NRI investors are subject to specific conditions for portfolio investment, including applicable investment ceilings.

Can NRO Demat Accounts Hold Existing Indian Shares?

An NRI may be able to hold eligible securities acquired while resident in India, subject to the applicable rules and the requirements of the Depository Participant.

If you become an NRI after already holding Indian investments, it is important to inform your bank, broker and DP about the change in residential status and determine whether the existing accounts need to be redesignated or transferred.

This prevents issues with KYC, account classification and future transactions.

Taxation of NRO Demat Investments

Tax is an important consideration for NRIs investing in Indian securities.

Income from Indian investments may include:

- Dividends
- Capital gains
- Interest income
- Other investment-related income

The applicable tax depends on the type of security, holding period, nature of income and the tax rules applicable for the relevant financial year.

Capital Gains Tax

When an NRI sells Indian shares or other securities, any taxable capital gain may be subject to Indian income tax.

The applicable rate depends on factors such as:

- Type of security
- Date of acquisition
- Date of sale
- Holding period
- Whether the investment is listed or unlisted

- Applicable tax provisions

NRIs should calculate capital gains carefully and maintain proper records of purchase price, sale price, expenses and dates.

TDS for NRIs

Tax may be deducted at source on certain income earned by NRIs.

For example, dividend income and certain investment-related payments may be subject to TDS according to the applicable provisions.

The actual tax liability may differ from the amount deducted at source, so NRIs should review their tax return position.

The Income Tax Department continues to provide specific guidance for non-resident taxpayers and the tax treatment of investment income.

Repatriation of Money From an NRO Account

One of the most common questions among NRIs is:

Can money from an NRO account be transferred abroad?

The answer is: **subject to applicable conditions and limits, yes.**

RBI's current FAQ states that balances in an NRO account are generally not freely repatriable, but eligible NRIs/PIOs may remit up to **USD 1 million per financial year**, along with other eligible assets, subject to the applicable FEMA conditions.

The bank may require supporting documentation, including evidence of the source of funds and compliance with applicable tax requirements.

Therefore, NRIs should consult their authorised dealer bank before planning a large overseas remittance.

Advantages of an NRO Demat Account

1. Manage Indian Investments

NRIs can conveniently hold eligible Indian securities electronically.

2. Manage Indian Assets

It can be useful for managing investments or assets that originate in India.

3. Access Indian Capital Markets

NRIs can participate in permitted Indian investment opportunities subject to applicable regulations.

4. Convenient Digital Holding

Securities are held electronically instead of physical certificates.

5. Suitable for Non-Repatriable Investments

It is particularly useful when the investor does not require immediate or unrestricted repatriation of investment proceeds.

Limitations of an NRO Demat Account

An NRO Demat Account also comes with certain restrictions.

Limited Repatriation

Funds are subject to RBI/FEMA repatriation rules.

Additional Compliance

NRIs may have additional KYC, FATCA/CRS and tax documentation requirements.

Different Investment Rules

Some investment products available to resident Indians may have restrictions for NRIs.

Tax Considerations

Indian-source income may be taxable, and TDS requirements may apply.

Common Mistakes NRIs Should Avoid

Mistake 1: Continuing to Use a Resident Demat Account

After becoming an NRI, investors should review their existing accounts rather than continuing to operate them as resident accounts.

Mistake 2: Assuming NRO Means Completely Non-Repatriable

The term "non-repatriable" can be misleading. Certain remittances are permitted subject to conditions and limits.

Mistake 3: Ignoring Tax Deducted at Source

NRIs should keep track of TDS on dividends, capital gains and other applicable income.

Mistake 4: Investing Without Checking NRI Restrictions

Not every security or investment strategy is necessarily available to NRIs under the same conditions as resident investors.

Mistake 5: Ignoring Documentation

Keep PAN, passport, overseas address proof, bank statements, contract notes and investment records properly organised.

NRO Demat Account FAQs

Is an NRO Demat Account mandatory for NRIs?

NRIs need an appropriate NRI-compliant demat and trading structure to invest in Indian securities. The exact account combination depends on the type of investment and whether it is on a repatriation or non-repatriation basis.

Can an NRI open an NRO Demat Account online?

Many banks, brokers and DPs provide digital account-opening facilities. However, the exact process and verification requirements vary between providers.

Can an NRI invest in Indian stocks through an NRO Demat Account?

Yes, permitted investments can be made subject to FEMA, RBI, SEBI and applicable investment limits.

Is NRO Demat Account taxable?

The demat account itself is not a tax. However, income and gains from investments held through the account can be taxable in India.

Can money from an NRO account be repatriated?

Yes, eligible NRIs/PIOs can repatriate funds subject to applicable FEMA conditions, documentation and the USD 1 million per financial year facility for eligible NRO balances/assets.

What happens if an Indian resident becomes an NRI?

The investor should inform their bank, broker and DP and update the account classification and documentation as required. The existing investment portfolio may need to be mapped to an appropriate NRI account structure.

Final Thoughts

An **NRO Demat Account is an important investment account for NRIs who want to manage Indian securities on a non-repatriation basis**.

It can provide a convenient way to hold Indian shares and other eligible investments while maintaining compliance with India's NRI investment framework.

However, NRI investing involves multiple layers of regulations, including **RBI/FEMA rules, SEBI regulations, tax requirements and broker-specific procedures**. Before opening an account or transferring existing investments, NRIs should confirm the latest requirements with their authorised bank, broker, DP or qualified tax professional.

For NRIs, choosing the right account structure at the beginning can make Indian investment management significantly easier and help avoid compliance problems later.

Disclaimer: This article is for educational and informational purposes only and should not be considered investment, legal or tax advice. NRI investment and taxation rules can change. Investors should verify the latest applicable regulations with RBI, SEBI, their authorised dealer bank, broker and qualified tax professional before making investment or remittance decisions.